

Name	Social Security Number
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1. Enter the taxable income from your 1998 Form N-11, line 24; Form N-12, line 38; or Form N-15, line 39.....	1	
2. Enter your elected farm income (see Instructions)	2	
3. Line 1 minus line 2. If zero or less, enter -0-	3	
4. Figure the tax on the amount on line 3. Use the 1998 Tax Table, Tax Rate Schedules, or Capital Gains Tax Worksheet, whichever applies (see Instructions).....	4	
5. Enter the taxable income from your 1995 Form N-11, line 24; Form N-12, line 35; or Form N-15, line 37 (see Instructions).....	5	
6. Divide the amount on line 2 by 3.0	6	
7. Add lines 5 and 6.....	7	
8. Figure the tax on the amount on line 7. Use the 1995 Tax Rate Schedules or Capital Gains Tax Worksheet, whichever applies (see Instructions)	8	
9. Enter the taxable income from your 1996 Form N-11, line 24; Form N-12, line 36; or Form N-15, line 38 (see Instructions).....	9	
10. Enter the amount from line 6	10	
11. Add lines 9 and 10.....	11	
12. Figure the tax on the amount on line 11. Use the 1996 Tax Rate Schedules or Capital Gain Tax Worksheet, whichever applies (see Instructions)	12	
13. Enter the taxable income from your 1997 Form N-11, line 24; Form N-12, line 37; or Form N-15, line 38 (see Instructions)	13	
14. Enter the amount from line 6	14	
15. Add lines 13 and 14.....	15	
16. Figure the tax on the amount on line 15. Use the 1997 Tax Rate Schedules or Capital Gains Tax Worksheet, whichever applies (see Instructions)	16	
17. Add lines 4, 8, 12, and 16.....	17	
18. Enter the tax from your 1995 Form N-11, line 26; Form N-12, line 36; or Form N-15, line 38 (see Instructions)	18	
19. Enter the tax from your 1996 Form N-11, line 26; Form N-12, line 37; or Form N-15, line 39 (see Instructions)	19	
20. Enter the tax from your 1997 Form N-11, line 26; Form N-12, line 38; or Form N-15, line 39 (see Instructions)	20	
21. Add lines 18 through 20	21	
22. Line 17 minus line 21. If the result is less than the tax figured on the taxable income on line 1 above using the 1998 Tax Table, Tax Rate Schedules, or Capital Gains Tax Worksheet, also include this amount in the total tax on Form N-11, line 26; Form N-12, line 39; or Form N-15, line 40.....	22	

STATE OF HAWAII — DEPARTMENT OF TAXATION
1998 INSTRUCTIONS FOR FORM N-168
FARM INCOME AVERAGING

GENERAL INSTRUCTIONS

Use Form N-168 to make the election to figure your 1998 tax liability by averaging, over the previous 3 years, all or part of your 1998 taxable income from your trade or business of farming. Making this election may give you a lower tax if your 1998 income from farming is high and your taxable income for one or more of the 3 prior years was low.

You will need copies of your Forms N-11, N-12, or N-15, and attachments that you filed for 1995, 1996, and 1997 in order to figure your tax on Form N-168. If you do not have copies of the returns you filed in those years, you can get them by filing Form L-72, Request for Copies of Income Tax Return. Form L-72 may be obtained from any district tax office, by mail, or via the Internet at <http://www.state.hi.us/tax/tax.html>.

You do not have to recompute, because of this election, the tax liability of any minor child who was required to use your tax rates in the prior years.

SPECIFIC INSTRUCTIONS

Line 2 — To figure elected farm income, first figure your taxable income from farming. Taxable income from farming includes all income, gains, losses, and deductions attributable to any farming business. However, it does not include gain from the sale or other disposition of land. Generally, farm income, gains, losses, and deductions are reported on:

- Capital Gain/Loss Worksheet in the Form N-11/N-12 or Form N-15 instruction booklet,
- Federal Schedule E, Part II,
- Federal Schedule F, and
- Schedule D-1.

Your elected farm income is the amount of your taxable income from farming that you choose to include on line 2. You do not have to include all of your taxable income from farming on line 2. It may be to your advantage to include less than the full amount, depending on how the amount you include on line 2 affects your tax bracket for the current and prior 3 tax years.

Note: If your taxable income from farming is more than the amount shown on line 1, you should not enter on line 2 more than the amount shown on line 1. Otherwise, you may not receive the maximum benefit from income averaging.

Farming Business. A farming business is the trade or business of cultivating land or raising or harvesting any agricultural or horticultural commodity. This includes:

- Operating a nursery or sod farm.
- Raising or harvesting of trees bearing fruits, nuts, or other crops.
- Raising ornamental trees (but not evergreen trees that are more than 6 years old when severed from the roots).
- Raising, shearing, feeding, caring for, training, and managing animals.

A farming business does not include:

- Contract harvesting of an agricultural or horticultural commodity grown or raised by another.
- Merely buying or reselling plants or animals grown or raised by another.

Line 4 — Refigure your 1998 tax liability by using the Tax Table, Tax Rate Schedules, or Capital Gains Tax Worksheet from your 1998 Form N-11/N-12 or Form N-15 instruction booklet, and enter it on line 4.

Lines 5, 9, and 13 — If you did not file a return for any year from 1995 through 1997, enter on the applicable line the amount otherwise reportable. If the amount reported on your return for any year was changed by an amended return or by the State Department of Taxation, enter on the applicable line the corrected amount.

Line 8 — Refigure your 1995 tax liability by using the 1995 Tax Rate Schedules, Capital Gains Tax Worksheet from your Form N-11/N-12 instruction booklet, or Schedule D (Form N-15).

If you are using the Capital Gains Tax Worksheet or Schedule D (Form N-15), use the 1995 Tax Rate Schedules instead of the Tax Table when figuring the tax on line 15 of the Capital Gains Tax Worksheet, or line 28 of Schedule D (Form N-15).

Note: You may use the Tax Rate Schedules (1998 Form N-11/N-12 instruction booklet, page 54; or 1998 Form N-15 instruction booklet, page 49) or Capital Gains Tax Worksheet (1998 Form N-11/N-12 instruction booklet, page 24; or 1998 Form N-15 instruction booklet, page 34) since the 1998 tax rates are the same as they were in 1995.

Line 12 — Refigure your 1996 tax liability by using the 1996 Tax Rate Schedules, Capital Gains Tax Worksheet from your Form N-11/N-12 instruction booklet, or Schedule D (Form N-15).

If you are using the Capital Gains Tax Worksheet or Schedule D (Form N-15), use the 1996 Tax Rate Schedules instead of the Tax Table when figuring the tax on line 15 of the Capital Gains Tax Worksheet, or line 28 of Schedule D (Form N-15).

Note: You may use the Tax Rate Schedules (1998 Form N-11/N-12 instruction booklet, page 54; or 1998 Form N-15 instruction booklet, page 49) or Capital Gains Tax Worksheet (1998 Form N-11/N-12 instruction booklet, page 24; or 1998 Form N-15 instruction booklet, page 34) since the 1998 tax rates are the same as they were in 1996.

Line 16 — Refigure your 1997 tax liability by using the 1997 Tax Rate Schedules or Capital Gains Tax Worksheet from your Form N-11/N-12 or Form N-15 instruction booklet.

If you are using the Capital Gains Tax Worksheet, use the 1997 Tax Rate Schedules instead of the Tax Table when figuring the tax on line 15 of the Capital Gains Tax Worksheet.

Note: You may use the Tax Rate Schedules (1998 Form N-11/N-12 instruction booklet, page 54; or 1998 Form N-15 instruction booklet, page 49) or Capital Gains Tax Worksheet (1998 Form N-11/N-12 instruction booklet, page 24; or 1998 Form N-15 instruction booklet, page 34) since the 1998 tax rates are the same as they were in 1997.

Lines 18, 19, and 20 — Do not include any amount from Forms N-2, N-103, N-152, N-312, N-405, N-586, or N-814. If the amount reported on your return for any year was changed by an amended return or by the State Department of Taxation, enter on the applicable line the corrected amount.